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**Fiscal Administration
- Provider Audit Unit**

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TO: All Basic Care Facilities

FROM: Sheila M. Reich, Lead Manager
Fiscal Administration-Provider Audit

The general information sheet and a cost report form, which is to be completed for your facility, are available on-line at the following website: www.nd.gov/dhs. On the left side of the screen, select "**Providers.**" On the 'Providers' screen select "**Medical Services.**" If you agree to the 'End Users Agreement for Providers' select "**Accept**" at the bottom of the screen. On the 'Medicaid Provider Information' screen, select "**Cost Reports.**" Under 'Cost Report and Budget Report Information for Providers' select "**Basic Care Facilities: Report Documents**". Under 'Basic Care Facilities' select "**Basic Care Facility Cost Report and Instructions**".

The report is to be completed consistent with North Dakota Administrative Code, Chapter 75-02-07.1. The information provided will be used to establish rates beginning July 1, 2009.

We will be reviewing the cost report for consistency in adjustments based on our review of the previous cost report. Differences will be communicated to the contact person for the facility who will be responsible for communicating the adjustments to the person responsible for preparing the cost report.

In order to facilitate the processing and audit of your facility cost report, if applicable, the following additional information must be submitted:

- A letter, to be signed by the administrator and the facility's accounting firm, which authorizes access to the preparer's work papers.
- For facilities that have an outside accountant prepare their cost report, copies of work papers supporting the accumulation of data for the cost report.
- A copy of the audit report of the facility's financial records and adjusting and reversing entries.
- A working trial balance or copies of the general ledger that tie to the reconciliation of costs and year end adjusting and reversing journal entries.
- For any combination of accounts, a work paper identifying the account number, description, amount and a total amount.

- Copies of work papers used to reclassify costs from the general ledger accounts into categories for inclusion in the cost report.
- Depreciation schedules.
- Copies of new loan agreements and amortization schedules.
- Work paper identifying all dues, advertising, and contributions included as allowable.
- Square footage map identifying total square footage, total resident room square footage, administration, and housekeeping square footage.

Schedule B-1 is used to report the number of resident days by type, i.e. in-house or leave, on a monthly basis by licensed section; licensed basic care, including basic care assistance (BCAP), basic care (BC) Alzheimer waiver, and basic care traumatic brain injury (BC TBI); licensed assisted living, licensed nursing facility, licensed hospital, and other.

Schedule B-3a is used to report census days by source of payer; basic care, including BCAP, BC Alzheimer waiver, BC TBI, and BC private pay; assisted living, nursing facility, hospital, and other.

Adjustments that need particular attention are the Top Management Compensation included in the facility costs or in Home Office Costs. Schedules D-5 and G need to be completed for all Top Management Personnel that exceed the limit and sent with the cost report. This limitation is applied prior to any allocation of costs to the facility. Since we will not know what the limit will be until all cost reports have been received, as a preliminary amount to be used for identifying individuals that the limit may apply to, we will use the \$54,267 limit from last year. The adjustment will then have to be determined by the provider audit unit. Of special significance is the total compensation included in the costs prior to allocation to facilities and the percent allocated to the facility. Should the number of individuals involved be large, we will accept a listing that identifies the individual, total compensation, and percent allocated to the facility. This may be sequentially numbered without identifying an individual's name or position. The listing should include a comment that the individual computations of compensation are on file for review.

For ease of processing, use one column for each adjustment made on the Schedule D's, when preparing the summary of adjustments. Copy the summary if additional columns are needed. The total adjustments are included on Schedule C-1 and should not be subtracted from the general ledger costs prior to completing Schedule C-4.

Please note that all travel and training costs must be reported as administration costs.

Line 34 – Vehicle operating on Schedule C-4 should include only costs related to the transportation of residents.

The cost report schedules incorporate establishing a separate room and board rate. The schedules separately identify food and plant costs to be combined with property costs to establish a room and board rate.

The cost report schedules incorporate a separate resident care and licensed health care professional column. The schedules separately identify licensed health care professional costs that must be included as part of the room and board costs.

Utilities cost should be excluded from the total costs prior to determining the percentage of total adjusted costs for the allocation of administration costs. Utilities cost includes the allowable cost of heating and cooling, electricity, water, sewer and garbage and cable TV.

Just as a reminder, ***your report is due on or before the last day of the third month following the facility's fiscal year end unless an election is made.*** To file a cost report based on a December thirty-first report year rather than on the facility's fiscal year end, the due date will be March thirty-first. Please be aware of NDAC 75-02-07.1-02.2.a., which provides, in part, "The accrual basis of accounting, in accordance with generally accepted accounting principles, must be used for cost reporting purposes. A facility may maintain its accounting records on a cash basis during the year, but adjustments must be made to reflect proper accrual accounting procedures at yearend and when subsequently reported. . . ."

If costs are not reported on the accrual basis, the cost report may be returned to the facility for revision. You should make sure that your accountant is aware of this.

COST REPORT CERTIFICATION (Schedule A): This page must be completed and signed by the administrator and, if prepared by a certified public accountant, that person must sign the page. The original signatures must accompany the cost report. A complete copy of the cost report must be printed and sent in along with Schedule A.

The rate computations and supporting data, starting with your cost report amounts, will be sent to you after the rates have been established.

The percentage to be used as inflators will be determined after April 1, 2009.

If you have completed the cost report in accordance with the requirements, no further adjustments should have to be made at the time of the audit. If you have any questions, please feel free to call 328-7560.